

TOWNSHIP OF HATTON
CLARE COUNTY
STATE OF MICHIGAN
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2008

TOWNSHIP OF HATTON, CLARE COUNTY

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Introductory Section

**TOWNSHIP OF HATTON, CLARE COUNTY
BOARD OFFICIALS
YEAR ENDED JUNE 30, 2008**

SUPERVISOR

William L. Hileman

TRUSTEES

David Lee Farrell

William F. Guiette

TREASURER

Patricia Ann Shull

CLERK

Janet L. Trietch

Financial Section



ROBERT E. LIST, CPA
 STEWART J. REID, CPA
 MICHAEL L. HANISKO, CPA
 DAVID D. QUIMBY, CPA
 KATHLYN M. ENGELHARDT, CPA
 RENAE M. CLEVINGER, CPA
 AMY L. RODRIGUEZ, CPA
 SCOTT A. NIETZKE, CPA

WALTER G. WEINLANDER, CPA
 ROY A. SCHAIRER, CPA
 JAMES L. WHALEY, CPA
 JEROME L. YANTZ, CPA
 PHILIP T. SOUTHGATE, CPA
 ROBERT J. DUYCK, CPA

WEINLANDER FITZHUGH

CERTIFIED PUBLIC ACCOUNTANTS
 & CONSULTANTS

Independent Auditors' Report

December 3, 2008

Township Board
 Township of Hatton
 Clare County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Township of Hatton as of and for the year ended June 30, 2008, which collectively comprise the Township of Hatton's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Hatton's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Township of Hatton as of June 30, 2008, and the respective changes in financial position thereof for the year then ended, in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis and budgetary comparison listed in the table of contents are not a required part of the basic financial statements but is supplemental information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

601 BEECH STREET
 POST OFFICE BOX 297
 CLARE, MI 48617
 989-386-3481
 FAX 989-386-3462
 www.wf-cpas.com
 wf@wf-cpas.com

OFFICES: BAY CITY, CLARE,
 GLADWIN AND WEST BRANCH

RSM McGladrey Network
 An Independently Owned Member

Weinlander Fitzhugh

Basic Financial Statements

TOWNSHIP OF HATTON, CLARE COUNTY MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2008

As management of Hatton Township, we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with the financial report. All amounts, unless otherwise indicated, are presented in whole dollars.

Financial Highlights

The assets of the Township exceeded its liabilities at the close of the most recent fiscal year by \$491,376 (net assets). Of this amount, \$385,154 (unrestricted net assets) may be used to meet the government's ongoing obligations to the citizens and creditors.

The Township's total net assets increased by \$55,278. This increase is attributable to \$130,477 of general revenues offsetting a \$75,199 loss from operating activities.

At the end of the current fiscal year, unreserved fund balance for the general fund was \$372,026 or approximately 386 percent of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction of the Township's basic financial statements. The Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The Townships operations are classified as governmental-type activities.

The government wide financial statements can be found on pages 15 and 16 of this report.

TOWNSHIP OF HATTON, CLARE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2008

The Township's Funds. The Township uses funds to help it control and manage money for particular purposes. Looking at funds helps the ready consider whether the Township is being accountable for the resources taxpayers and others provide to it and may provide insight into the Township's overall financial health.

The Township's governmental fund reported a fund balance of \$464,071 which is above last year's total of \$429,028. The schedule below indicates the fund balance and the total change in fund balances as of June 30, 2008 and 2007.

	<u>Fund Balance</u> <u>June 30, 2008</u>	<u>Fund Balance</u> <u>June 30, 2007</u>	<u>Increase</u>
General	\$ 460,366	\$ 425,415	\$ 34,951
Cemetery	3,705	3613	92
	<u>\$ 464,071</u>	<u>\$ 429,028</u>	<u>\$ 35,043</u>

Our General Fund increased \$34,951. The increase is due to decreased spending on road projects and building improvements. The increase was 8% over the prior year.
Our Cemetery Fund increased \$92 due to interest income.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation when necessary to facilitate this comparison between governmental funds and governmental activities.

The Township maintains two governmental funds. The General Fund is the Township's operating fund, and the Cemetery Fund is for the perpetual care of the cemetery.

The Township adopts an annual appropriated budget for the General Fund. Budgetary comparison statements have been provided in the supplemental section of the report to demonstrate the extent of compliance with the Budget.

The basic governmental fund financial statements can be found on pages 17 and 18 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 23 of this report.

TOWNSHIP OF HATTON, CLARE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2008

Government Wide Financial Analysis

The following summaries provide a perspective of the financial information of the Township as a whole:

Hatton Township's Net Assets.

	2008	2007
Current and other assets	\$ 452,072	\$ 429,338
Capital Assets	27,305	7,070
Total Assets	<u>\$ 479,377</u>	<u>\$ 436,408</u>
Other liabilities	\$ 375	\$ 310
Net assets:		
Invested in Capital Assets	27,305	7,070
Restricted	78,917	82,540
Unrestricted	385,154	353,558
Total net assets	<u>\$ 491,376</u>	<u>\$ 436,098</u>

Hatton Township's Changes in Net Assets.

	2008	2007
Revenues:		
Program revenues:		
Charges for Services	\$ 4,108	\$ 3,359
General Revenue:		
Property Taxes	50,679	50,585
Other	79,798	85,137
Total Revenues	134,585	139,081
Expenses:		
General Government	55,950	61,529
Public Safety	16,376	15,818
Public Works	379	222
Community & Economic Development	1,987	2,515
Recreation & Culture	4,615	4,615
Total Expenses	<u>79,307</u>	<u>84,699</u>
Change in net assets	55,278	54,382
Net Assets - July 1	436,098	381,716
Net Assets - June 30	<u>\$ 491,376</u>	<u>\$ 436,098</u>

As noted earlier, net assets may serve over time as a useful indicator of a Township's financial position. In the case of Hatton Township, assets exceeded liabilities by \$491,376 at the close of the most recent fiscal year.

The remaining balance of unrestricted net assets (\$385,154) may be used to meet the Township's ongoing obligations.

The Township's total net assets increased by \$55,278. This increase is attributable to an approximate \$130,477 of general revenues offsetting a \$75,199 loss from operating activities.

TOWNSHIP OF HATTON, CLARE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2008

Governmental funds. The focus of the Township's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

General Fund Budgetary Highlights

The annual budget was approved by the Township Board in June of 2007 as required by the State of Michigan, and was amended by the Board throughout the fiscal year of 2007-2008.

Changes to the General Fund budget were as follows:

- There were no changes to the revenue original budget.
- The original expenditure budget was increased by \$23,066, most of which was for the purchase of real estate and its associated costs.
- Actual revenues were more than budgeted revenue by \$34,993. The difference is primarily due to an increase in interest and state shared revenue.
- Actual expenditures were less than budgeted expenditures \$103,668. Most of the difference is due to budgeted building improvements, equipment purchase and contracted road services that were not spent. Various other costs, such as operating supplies, were also lower than expected.

Capital Asset Administration

Capital Assets. The Township's investment in capital assets for its governmental activities as of June 30, 2008, amounts to \$27,305 (Net of Depreciation). This investment in capital assets includes land, buildings and equipment.

Hatton Townships Capital Assets (net of depreciation)

	Governmental Activities
Land	\$ 20,555
Construction in Progress	2,750
Equipment	<u>4,000</u>
	\$ 27,305

The Township is currently in the process of constructing a new hall. It is anticipated that the hall will be completed during the next fiscal year.

Economic Factors

Economic factors will certainly change and reflect the direction that the community has taken. The Board of the Township is committed to working together to get the most out of every dollar and serve in the most responsible manner possible.

Requests for information

This financial report is designed to provide a general overview of the Townships finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Hatton Township Treasurer, Pat Shull at (989)386-3589 or the Clerk, Janet Trietch at (989)386-9185.

**TOWNSHIP OF HATTON, CLARE COUNTY
GOVERNMENT WIDE
STATEMENT OF NET ASSETS
JUNE 30, 2008**

	Statement I
	Governmental Activities
<u>ASSETS</u>	
Current Assets	
Cash and Cash Equivalents	\$ 437,210
Prepaid Expenses	12,374
Due From State	9,976
Internal Balances	18
Interest Receivable	4,868
	<hr/>
Total Current Assets	464,446
Noncurrent Assets	
Capital Assets	
Land	20,555
Buildings, Additions & Improvements	22,049
Equipment	7,000
Construction in Progress	2,750
Less Accumulated Depreciation	(25,049)
Total Capital Assets	27,305
Total Assets	<hr/> <u>\$ 491,751</u>
<u>LIABILITIES AND NET ASSETS</u>	
Current Liabilities	
Accounts Payable	\$ 375
	<hr/>
Total Current Liabilities	375
Net Assets	
Invested in Capital Assets	27,305
Restricted for:	
Fire portection services	75,966
Cemetery perpetual care	2,951
Unrestricted	385,154
	<hr/>
Total Net Assets	491,376
	<hr/>
Total Liabilities and Net Assets	<u>\$ 491,751</u>

The notes to the financial statements are an integral part of this statement.

**TOWNSHIP OF HATTON, CLARE COUNTY
GOVERNMENT WIDE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008**

Statement II

Functions / Programs	Expenses	Program Revenues Charges for Services	Net (Expense) Revenue and Changes in Net Assets
			Governmental Activities
Primary Government:			
Governmental Activities			
General Government	\$ 55,950	\$ 3,436	\$ (52,514)
Public Safety	16,376	402	(15,974)
Public Works	379	-	(379)
Community & Economic Development	1,987	270	(1,717)
Recreation & Culture	4,615	-	(4,615)
Total Governmental Activities	<u>\$ 79,307</u>	<u>\$ 4,108</u>	<u>(75,199)</u>
General Revenues:			
Property Taxes			50,679
Revenue Sharing			66,496
Interest and Dividends			13,236
Other Revenue			<u>66</u>
Total General Revenues			<u>130,477</u>
Changes in Net Assets			<u>55,278</u>
Net Assets - July 1			<u>436,098</u>
Net Assets - June 30			<u>\$ 491,376</u>

The notes to the financial statements are an integral part of this statement.

**TOWNSHIP OF HATTON, CLARE COUNTY
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2008**

Statement III

	General Fund	Cemetery Fund	Total
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 433,558	\$ 3,652	\$ 437,210
Due From State	9,976	-	9,976
Due From Other Funds	18	-	18
Prepaid Expenditures	12,374	-	12,374
Interest Receivable	4,815	53	4,868
	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	\$ 460,741	\$ 3,705	\$ 464,446
	<hr/>	<hr/>	<hr/>
<u>LIABILITIES AND FUND BALANCE</u>			
<u>LIABILITIES</u>			
Accounts Payable	\$ 375	\$ -	\$ 375
TOTAL LIABILITIES	375	-	375
	<hr/>	<hr/>	<hr/>
<u>FUND BALANCE</u>			
Reserved for prepaid expenditures	12,374	-	12,374
Reserved for fire protection services	75,966	-	75,966
Reserved for cemetery perpetual care	-	2,951	2,951
Unreserved	372,026	754	372,780
	<hr/>	<hr/>	<hr/>
TOTAL FUND BALANCE	460,366	3,705	464,071
	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCE	\$ 460,741	\$ 3,705	\$ 464,446
	<hr/>	<hr/>	<hr/>

The notes to the financial statements are an integral part of this statement.

**TOWNSHIP OF HATTON, CLARE COUNTY
STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE, GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008**

Statement IV

	<u>General Fund</u>	<u>Cemetery Fund</u>	<u>Total</u>
REVENUE			
Property Taxes	\$ 50,679	\$ -	\$ 50,679
Revenue Sharing	66,496	-	66,496
Public Safety	402	-	402
Community & Economic Development	270	-	270
Charges for Services Fees	3,436	-	3,436
Interest and Dividends	13,144	92	13,236
Other Revenue	66	-	66
	<u>134,493</u>	<u>92</u>	<u>134,585</u>
TOTAL REVENUE	134,493	92	134,585
EXPENDITURES			
Current Operations			
General Government			
General Government	54,950	-	54,950
Public Safety	16,376	-	16,376
Public Works	379	-	379
Community & Economic Development	1,987	-	1,987
Recreation & Culture	4,615	-	4,615
Capital Outlay	21,235	-	21,235
	<u>99,542</u>	<u>-</u>	<u>99,542</u>
TOTAL EXPENDITURES	99,542	-	99,542
EXCESS OF REVENUE OVER EXPENDITURES	34,951	92	35,043
FUND BALANCE - JULY 1	425,415	3,613	429,028
FUND BALANCE - JUNE 30	\$ 460,366	\$ 3,705	\$ 464,071

The notes to the financial statements are an integral part of this statement.

**TOWNSHIP OF HATTON, CLARE COUNTY
RECONCILIATION OF FUND BALANCE
TO THE STATEMENT OF NET ASSETS, GOVERNMENTAL FUNDS
JUNE 30, 2008**

Statement V

Amounts reported for governmental activities in the statement of net assets are different because:

Total Fund Balance of Governmental Funds (Statement III)	\$ 464,071
Net capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	<u>27,305</u>
Net Assets of Governmental Activities (Statement I)	<u>\$ 491,376</u>

The notes to the financial statements are an integral part of this statement.

**TOWNSHIP OF HATTON, CLARE COUNTY
RECONCILIATION OF STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008**

Statement VI

Amounts reported for governmental activities in the statement of activities are different because:

Net Change in Fund Balances - Total Governmental Funds (Statement IV)	\$	35,043
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$21,235) exceeded depreciation (\$1,000) in the current period.

20,235

Change in Net Assets of Governmental Activities (Statement II)	\$	<u>55,278</u>
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**TOWNSHIP OF HATTON, CLARE COUNTY
CURRENT TAX COLLECTION FUND
STATEMENT OF ASSETS AND LIABILITIES
JUNE 30, 2008**

Statement VII

	Balance 06/30/2008
Assets:	
Cash and Cash Equivalents	\$ 3,716
Liabilities:	
Due to Other Funds	\$ 18
Due to Others	3,698
Total Liabilities	\$ 3,716

The notes to the financial statements are an integral part of this statement.

TOWNSHIP OF HATTON

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Township of Hatton have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies.

A. Reporting Entity

Township of Hatton, Clare County, operates under the directorship of a Township board consisting of five members. The Township provides the following services: Public safety, highways and streets, culture and recreation, public improvements and general administrative services.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

TOWNSHIP OF HATTON
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement focus, basis of accounting, and financial statement presentation (Continued)

The Township reports the following major governmental funds:

The *General Fund* is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

D. Estimates

The preparation of financial statements in conformity with U. S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

E. Assets, liabilities, and net assets or equity

1) Deposits and Investments – The Township has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Investments are reported at fair value. State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments.

2) Receivables and Payables – In general, outstanding balances between funds are reported as "due to/from other funds." All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

3) Inventories and Prepaid Items – The Township follows the policy of not recording inventories in governmental funds. The effect of not recording inventories is considered to be immaterial. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4) Restricted Assets – Certain resources of the Township may be classified as restricted on the statement of net assets because their use is limited.

5) Capital Assets – Capital assets, which include property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. The Township defines capital assets as assets with initial, individual cost of more than \$3,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the time of donation.

TOWNSHIP OF HATTON

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

Buildings	40 Years
Building Improvements	10 to 25 Years
Equipment	7 to 10 Years

6) Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balance represent tentative management plans that is subject to change.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgets and Budgetary accounting

Annual budgets are adopted for the General Fund. The legal level of budgetary control adopted by the governing body is the line item level for the general fund.

The Township does not record encumbrances in accounting during the year. Appropriations lapse at the end of the fiscal year and amounts are re-appropriated for expenditures to be incurred in the next fiscal year.

B. Excess of expenditures over appropriations in budgetary funds

P.A. 621 of 1978, Section 18(1), as amended, of the State of Michigan provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated. Disclosure of all unfavorable appropriation variances based on the level of control exercised over the adopted budget is as follows:

General Fund:	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
Capital Outlay	18,485	21,235	2,750

NOTE 3 – CASH AND CASH EQUIVALENTS

Deposits are carried at cost. Deposits are in several financial institutions in the name of the Township Treasurer. Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations. The Township's deposits are in accordance with statutory authority.

At year-end, the carrying value of cash and cash equivalents held by the Township is as follows:

	<u>Governmental Activities</u>	<u>Current Tax Fund</u>	<u>Total</u>
Bank Deposits (CD, Checking, Savings)	\$ 437,210	\$ 3,716	\$ 440,926

TOWNSHIP OF HATTON

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 3 – CASH AND CASH EQUIVALENTS (Continued)

Deposits

There is custodial credit risk as it relates to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. At year-end, the amount of the Township's deposits with financial institutions was \$442,630. Of the bank balance \$359,375 was covered by federal depository insurance and \$83,255 was uninsured and uncollateralized.

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations. As of year-end, the Township did not have any investments that would be subject to rating.

Interest Rate Risk

The Township will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Township's cash requirements.

Concentration of Credit Risk

The Township will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so the impact of potential losses from any one type of security or issuer will be minimized.

Custodial Credit Risk

The Township will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by limiting investments to the types of securities authorized by the Board and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Township will do business in accordance with Board approved policy.

NOTE 4 - RECEIVABLES

Receivables as of year-end for the government's individual major funds and component units, including the applicable allowances for uncollectible accounts, are as follows:

	General	Cemetery	Total
Receivables:			
Due from State	\$ 9,976	\$ -	\$ 9,976
Accrued Interest	4,815	53	4,868
Total Receivables	<u>\$ 14,791</u>	<u>\$ 53</u>	<u>\$ 14,844</u>

TOWNSHIP OF HATTON

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 5 – INTERFUND RECEIVABLE, PAYABLES AND TRANSFERS

The composition of interfund balances in the fund statements is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	
General Fund	Current Tax Collection	\$ 18

Interfund receivables and payables reflect the collection of property tax revenue not formally moved to the General Fund.

There were no inter-fund transfers during the fiscal year.

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2008 was as follows:

	Beginning Balances	Acquisitions	Sales & Dispositions	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 2,070	\$ 18,485	\$ -	\$ 20,555
Construction in Progress	-	2,750	-	2,750
Total capital assets not being depreciated	2,070	21,235	-	23,305
Capital Assets being depreciated:				
Building & Improvements	22,049	-	-	22,049
Equipment	7,000	-	-	7,000
Total capital assets being depreciated	29,049	-	-	29,049
Less accumulated depreciation for:				
Building & Improvements	22,049	-	-	22,049
Equipment	2,000	1,000	-	3,000
Total accumulated depreciation	24,049	1,000	-	25,049
Total capital assets being depreciated, net	5,000	(1,000)	-	4,000
Governmental activities capital assets, net	\$ 7,070	\$ 20,235	\$ -	\$ 27,305

Depreciation was charged to Programs/Functions as follows:

Governmental Activities	
General Government	\$ 1,000

NOTE 7 – RISK MANAGEMENT

Hatton Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation). Hatton Township participates in the Michigan Municipal League risk pool for claims relating to workers compensation, general liability, and property/casualty claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

TOWNSHIP OF HATTON
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 7 – RISK MANAGEMENT (Continued)

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

The Michigan Municipal Risk Management Authority risk pool program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority, that the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with Hatton Township.

The Michigan Municipal Risk Management Authority's State Pool program operates as a common risk-sharing management program for local units of government in Michigan. Member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts. A portion of the excess insurance coverage is underwritten by the Authority itself.

The Michigan Townships Participating Plan operates as an insurance purchasing pool for local units of government in Michigan. The Plan purchases commercial insurance on behalf of its members at a lower cost than would be available on an individual basis.

Required Supplemental Information

**TOWNSHIP OF HATTON, CLARE COUNTY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
YEAR ENDED JUNE 30, 2008**

Exhibit A

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
REVENUE				
Current Real Property Tax	\$ 15,000	\$ 15,000	\$ 19,874	\$ 4,874
Voted Fire Tax	18,000	18,000	23,875	5,875
Delinquent Fire Tax	100	100	-	(100)
Delinquent Personal Property Tax	100	100	-	(100)
Penalty & Interest on Taxes	100	100	77	(23)
Tax Admin Fee Winter	5,100	5,100	6,604	1,504
Tax Admin Fee Summer	-	-	249	249
Delinquent Admin Fee Real/Pers	50	50	-	(50)
State Shared Revenue	56,200	56,200	63,183	6,983
PA 48 Telecommunications	-	-	3,313	3,313
Zoning Fees	500	500	270	(230)
Charges for Services Fees	-	-	2,059	2,059
Fire Run Charges	-	-	402	402
Land Division Act	300	300	75	(225)
Burial Fees	-	-	125	125
Cable Service Fees	-	-	1,177	1,177
Interest and Dividends	4,000	4,000	13,016	9,016
Now Interest	50	50	128	78
Refunds and Rebates	-	-	66	66
TOTAL REVENUE	99,500	99,500	134,493	34,993
EXPENDITURES				
Legislative				
Township Board				
Salary and Wages	\$ 2,800	\$ 2,992	\$ 2,992	\$ -
Per Diems	200	200	-	200
Social Security	200	200	186	14
Medicare	50	50	43	7
Office Supplies	100	100	-	100
Operating Supplies	1,000	3,356	606	2,750
Postage	80	80	-	80
Transportation	100	100	25	75
Miscellaneous	30	30	-	30
Memberships and Dues	600	600	475	125
Education and Training	150	150	-	150
Printing and Publishing	300	300	212	89
Refunds/Unallocated	200	223	28	195
General Government				
Supervisor				
Salary and Wages	5,992	5,992	5,992	-
Per Diems	200	200	-	200
Social Security	384	384	372	12
Medicare	90	90	87	3
Office Supplies	30	30	-	30
Postage	30	30	-	30
Communications	30	30	-	30
Transportation	100	100	15	85
Miscellaneous	25	25	-	25
Books and Magazines	25	25	-	25
Education and Training	200	200	-	200

**TOWNSHIP OF HATTON, CLARE COUNTY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
YEAR ENDED JUNE 30, 2008**

Exhibit A

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
General Government (Continued)				
Clerk				
Salary and Wages	\$ 8,675	\$ 8,675	\$ 8,675	\$ -
Per Diems	500	500	80	420
Salary and Special Elections	350	350	-	350
Salary Deputy Clerk	1,800	1,800	808	992
Social Security	680	680	593	87
Medicare	160	160	139	21
Office Supplies	50	50	13	37
Postage	100	100	82	18
Operating Supplies	50	50	-	50
Communications	25	25	-	25
Transportation	300	300	-	300
Transportation Deputy Clerk	50	50	4	46
Miscellaneous	50	50	11	39
Education and Training	400	400	-	400
Education and Training Deputy Clerk	200	200	-	200
Accounting and Auditing				
Accounting Fees	500	500	170	330
Auditing Fees	2,400	2,400	-	2,400
Board of Review				
Salary and Wages	1,250	1,250	1,104	146
Social Security	78	78	68	10
Medicare	20	20	16	4
Transportation	45	45	-	45
Printing and Publishing	75	75	15	60
Miscellaneous	100	100	-	100
Treasurer				
Salary and Wages	8,675	8,675	8,675	-
Per Diems	200	200	-	200
Salary Deputy Treasurer	200	200	-	200
Social Security	550	550	538	12
Medicare	128	128	126	2
Office Supplies	100	365	365	-
Postage	1,100	1,250	1,056	194
Communications	50	50	-	50
Transportation	450	450	424	26
Transportation Deputy Treasurer	20	20	-	20
Printing and Publishing	30	30	-	30
Official Bond	45	45	-	45
Miscellaneous	50	50	-	50
Education and Training	200	200	-	200
Assessor				
Postage	700	700	307	393
Operating Supplies	800	800	337	463
Apex Software Contract	-	760	436	324
BSA Software Contract	400	400	315	85
Equalization Contract	2,000	2,000	1,177	823
Contract	7,500	7,500	6,790	710
Communications	50	50	-	50
Miscellaneous	50	50	-	50

**TOWNSHIP OF HATTON, CLARE COUNTY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
YEAR ENDED JUNE 30, 2008**

Exhibit A

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
General Government (Continued)				
Elections				
Salary and Wages	\$ 4,800	\$ 4,800	\$ 790	\$ 4,010
Social Security	298	298	49	249
Medicare	70	70	11	59
Postage	50	50	-	50
Operating Supplies	1,000	1,000	281	719
Transportation	200	200	69	131
Printing and Publishing	300	300	-	300
Miscellaneous	150	150	41	109
Voter Registration				
Office Supplies	75	75	-	75
Forms	100	100	-	100
Postage	150	150	82	68
Printing and Publishing	200	200	20	180
Hall and Grounds				
Temporary Labor	1,400	1,400	1,345	55
Social Security	87	87	83	4
Medicare	21	21	19	2
Operating Supplies/Equipment	1,000	1,000	-	1,000
Fuel Oil Gas	600	600	589	11
Contract Services	-	-	-	-
Communications	350	350	330	20
Public Utilities	325	325	233	92
Repair & Maintenance Building	200	200	-	200
Repair & Maintenance Equipment	200	200	-	200
Building Addition & Improvement	50,000	50,000	-	50,000
Equipment	2,000	2,000	-	2,000
Attorney				
Landfill	2,500	2,500	48	2,452
Zoning	600	600	-	600
Ordinances	1,500	1,875	754	1,121
Other	200	605	405	200
Legal Defense - MTA	50	50	14	36
Cemetery				
Salary and Wages Sexton	600	600	600	-
Burial Fees Sexton	500	500	125	375
Temporary Labor	1,200	1,240	1,240	-
Social Security	145	145	122	23
Medicare	34	34	29	6
Capital Outlay	500	500	-	500
Public Safety				
Fire Protection				
Contracted Services	17,000	17,000	16,123	877
Sign Ordinance				
Salary and Wages	200	200	-	200
Social Security	18	18	-	18
Medicare	5	5	-	5
Office Supplies	30	30	-	30
Postage	30	30	-	30
Communications	20	20	-	20
Transportation	30	30	-	30
Printing and Publishing	30	30	-	30

**TOWNSHIP OF HATTON, CLARE COUNTY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
YEAR ENDED JUNE 30, 2008**

Exhibit A

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
Public Safety (Continued)				
Zoning Enforcement Officer:				
Salary and Wages	\$ 500	\$ 500	\$ 225	\$ 275
Per Diems	40	40	-	40
Social Security	31	31	14	17
Medicare	8	8	3	5
Office Supplies	50	50	-	50
Postage	50	50	11	39
Communications	25	25	-	25
Miscellaneous	75	75	-	75
Transportation	25	25	-	25
Education and Training	100	100	-	100
Public Works				
Landfill Review Committee				
Salary and Wages	800	800	240	560
Social Security	50	50	15	35
Medicare	12	12	3	9
Office Supplies	30	30	-	30
Postage	30	30	-	30
Printing and Publishing	100	100	-	100
Miscellaneous	20	20	-	20
Drains				
Tonkin Drain	300	300	-	300
Highways and Streets				
Contracted Services	20,000	20,000	-	20,000
Street Light	150	150	120	30
Community & Economic Development				
Planning & Zoning				
Salary and Wages	3,000	3,000	1,605	1,395
Social Security	186	186	100	86
Medicare	44	44	23	21
Office Supplies	50	50	-	50
Postage	400	400	-	400
Communications	50	50	-	50
Transportation	-	-	70	(70)
Printing and Publishing	300	300	-	300
Education and Training	100	115	115	-
Zoning Board of Appeals				
Salary and Wages	350	350	-	350
Social Security	22	22	-	22
Medicare	6	6	-	6
Postage	50	50	-	50
Printing and Publishing	50	50	-	50
Land Division Act				
Contracted Services	300	300	75	225
Economic Development				

**TOWNSHIP OF HATTON, CLARE COUNTY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
YEAR ENDED JUNE 30, 2008**

Exhibit A

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
Recreation & Culture				
Library				
Contracted Services	\$ 5,000	\$ 5,000	\$ 4,615	\$ 385
Insurance				
Municipal Package	5,000	5,000	4,313	687
Capital Outlay				
Real Estate	-	18,485	21,235	(2,750)
TOTAL EXPENDITURES	<u>180,144</u>	<u>203,210</u>	<u>99,542</u>	<u>103,668</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>(80,644)</u>	<u>(103,710)</u>	<u>34,951</u>	<u>138,661</u>
Fund Balance - Beginning	<u>425,415</u>	<u>425,415</u>	<u>425,415</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 344,771</u>	<u>\$ 321,705</u>	<u>\$ 460,366</u>	<u>\$ 138,661</u>

The Township does not Budget for the Cemetery Fund therefore the following information is not required.

Interest earned on Cemetery Savings and CD's	-	-	<u>\$ 92</u>
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WEINLANDER FITZHUGH

CERTIFIED PUBLIC ACCOUNTANTS
& CONSULTANTS

ROBERT E. LIST, CPA.
STEWART J. REID, CPA.
MICHAEL L. HANISKO, CPA.
DAVID D. QUIMBY, CPA.
KATHLYN M. ENGELHARDT, CPA.
RENAE M. CLEVINGER, CPA.
AMY L. RODRIGUEZ, CPA.
SCOTT A. NIETZKE, CPA.

WALTER G. WEINLANDER, CPA.
ROY A. SCHAIRER, CPA.
JAMES L. WHALEY, CPA.
JEROME L. YANTZ, CPA.
PHILIP T. SOUTHGATE, CPA.
ROBERT J. DUYCK, CPA.

December 3, 2008

Township Board
Township of Hatton
Clare County, Michigan

In connection with our audit of the financial statements of Township of Hatton (Township) as of and for the year ended June 30, 2008, we identified deficiencies in internal control over financial reporting (control deficiencies).

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect financial statement misstatements on a timely basis. A deficiency in design exists when a control necessary to meet the control objective is missing, or when an existing control is not properly designed so that even if the control operates as designed, the control objective is not always met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or qualifications to perform the control effectively.

A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affect the entity's ability to authorize, initiate, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected.

601 BEECH STREET
POST OFFICE BOX 297
CLARE, MI 48617
989-386-3481
FAX 989-386-3462
www.wf-cpas.com
wf@wf-cpas.com

OFFICES: BAY CITY, CLARE,
GLADWIN AND WEST BRANCH

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Township Board
Township of Hatton
December 3, 2008
Page 2

Following are descriptions of other identified control deficiencies that we determined did not constitute significant deficiencies or material weaknesses:

Segregation of Duties

This means that there are different individuals performing different duties within a specific accounting function. Having multiple individuals performing duties in the same accounting function acts as a check and balance.

As is common in many small local government units, there is often only a few people, sometimes only one person, performing the accounting and financial functions. And it is also common to have these individuals concentrate their efforts in one area.

The Township has a lack of complete separation of duties with respect to cash collections. The collection of cash, writing of receipts and depositing of collections is centralized around one individual.

The Township has implemented compensating controls for property tax revenue through the county settlement process and state revenue sharing through the Michigan Department of Treasury, the remaining revenues collected generally have insufficient checks and balances in place.

The preceding comments are not intended to reflect on the performance or capability of any employee.

This report is intended solely for the information and use of the Township Board, management and others within the Township and is not intended to be and should not be used by anyone other than these specified parties.

Weinlander Fitzhugh



WEINLANDER FITZHUGH

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December 3, 2008

Township Board
Township of Hatton
Clare County, Michigan

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Township of Hatton for the year ended June 30, 2008, and have issued our report thereon dated December 3, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated November 1, 2007, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U. S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our correspondence about planning matters on November 1, 2007.

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CLARE, MI 48617
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wf@wf-cpas.com

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WEINLANDER FITZHUGH

Township Board
Township of Hatton
December 3, 2008
Page 2

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Township of Hatton are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during they year ended June 30, 2008 We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events.

Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statement was depreciation.

Management's estimate of the estimated useful life is based on past experience and management's knowledge. We evaluate the key factors and assumptions used to develop the estimated useful life in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.



WEINLANDER FITZHUGH

Township Board
Township of Hatton
December 3, 2008
Page 3

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 3, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.



WEINLANDER FITZHUGH

Township Board
Township of Hatton
December 3, 2008
Page 4

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Township Board, management and others within the Township and is not intended to be and should not be used by anyone other than these specified parties.

Weinlander Fitzhugh